

Yinson Holdings (YNS MK)

3QFY26 Results Addendum: Superior Execution Is Key, While Ongoing Brazil Risks Remain Inherent

Highlights

- **9MFY26F earnings on Enterprise Reporting (ER) reflect superior execution and capital recycling prowess.** Beating consensus estimates, the ER profits were lifted by full recognition of the FPSO Atlanta loan buyout gain (as it was treated as a loan extinguishment income), and FPSO Agogo's full charter recognition from early startup. We decided to treat the EPCIC obligation as an exceptional item (EI).
- **YNS' superior execution alongside capital recycling remains centre theme.** We expect the group to be focused on execution with an over US\$19b FPSO orderbook, and to maintain this superior delivery track record, active capital recycling has to go hand-in-hand. This also includes the rumoured privatisation plan (and eventual IPO plan few years down the road). However, earnings risks remain inherent for Brazil FPSOs, although we rule out a major risk scenario that will be detrimental to the bond covenants. For example, FPSO MQ was on standby mode in 4QFY26. After the forecast adjustment, we retain BUY with an adjusted SOTP-based target price of RM3.10 (vs RM3.15 previously).

Yinson Production (YP) 3QFY26 Results In IFRS And ER formats

Year to 31 Jan	IFRS	ER	Comments
(US\$m)	3QFY26	3QFY25	3QFY26
Revenue	393	415	292
EBIT	233	139	273
EBITDA	251	155	354
*Adjusted EBITDA	-	-	193
Finance costs	(84)	(92)	(90)
Associates	12	2	-
Pre-tax profit	158	54	189
Reported profit	137	44	169
Reported PATAMI	129	36	161

For comparison, figures stated for 3QFY26/ 3QFY25
 ER includes US\$19m/ US\$5m progress milestone
 ER operating expenses were US\$65m/ US\$26m
 ER depreciation were US\$81m/ US\$34m
 YP excluded the entire Brava gain of US\$153m
 Include bond costs for Anna Nery (AN), Maria Quiteria
 ER assumes AN as proportionally consolidated
 Operating days ytd: 2,237 days/1,659 days
 Exclude US\$2m finance cost charged from Yinson
 Production Offshore Investments

Year to 31 Jan	IFRS	ER	Comments
(US\$m)	9MFY26	9MFY25	9MFY26
Revenue	968	1,313	789
EBIT	495	458	549
EBITDA	548	505	744
*Adjusted EBITDA	-	-	455
Finance costs	(283)	(245)	(266)
Associates	40	6	-
Pre-tax profit	290	230	297
Reported profit	248	185	252
Reported PATAMI	230	154	234

For comparison, figures stated for 9MFY26/ 9MFY25
 ER includes US\$147m/US\$28m progress milestone
 ER operating expenses were US\$143m/ US\$68m
 ER depreciation were US\$195m/ US\$97m
 Depreciation includes vessel and carbon capture
 Include bond costs for Anna Nery (AN) and MQ
 ER assumes AN as proportionally consolidated
 Non-O&G loss at RM300m (1HFY26: RM220m)
 3Q/9MFY26 ER PAT: RM720m/ RM1.0b
 3Q/9MFY26 Core ER PAT: RM375m/ RM676m

Note: Enterprise Reporting (ER).. Effective FY25, YP adopted ER as a complementary disclosure to the statutory IFRS reporting. Under ER, YP adopted operating lease and apply proportional consolidation based on YP's share in assets. Adjusted EBITDA is for ER format only

Source: Yinson, Yinson Production (YP). UOB Kay Hian

Key Financials

Year to 31 Jan (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	11,646	7,605	3,450	4,602	5,109
EBITDA	1,613	2,052	2,791	3,714	3,853
Operating profit	1,270	1,675	2,411	3,331	3,435
Net profit (rep./act.)	964	752	749	938	1,078
Net profit (adj.)	623	510	749	938	1,078
EPS	18.2	14.9	21.9	27.4	31.5
PE	13.5	16.5	11.2	9.0	7.8
P/B	1.5	1.6	1.5	1.3	1.2
EV/EBITDA	10.4	8.0	7.5	6.1	6.4
Dividend yield	1.2	1.2	2.0	2.0	2.0
Net margin	8.3	9.9	21.7	20.4	21.1
Net debt/(cash) to equity	183.0	188.2	237.3	237.1	237.6
Interest cover	1.7	1.2	2.0	2.0	2.1
ROE	16.8	13.2	12.7	15.1	16.3
Consensus net profit	-	-	637	841	911
UOBKH/Consensus (x)	-	-	1.17	1.11	1.18

Note: Past financials are based on IFRS FL; core profits excluded FL construction effects

Source: Yinson, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM2.41
Target Price	RM3.10
Upside	+28.6%

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Stock Data

GICS Sector	Energy
Bloomberg ticker	YNS MK
Shares issued (m)	3,211
Market cap (RMm)	7,682.0
Market cap (US\$m)	1,600
3-mth avg daily t'over (US\$m)	2.5

Price Performance (%)

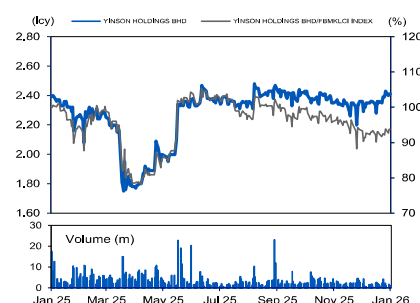
52-week high/low RM2.82/RM1.73

1mth	3mth	6mth	1yr	YTD
2.0	6.6	8.6	(14.0)	(9.5)

Major Shareholders

	%
Yinson Legacy	16.6
EPF	17.1

Price Chart



Source: Bloomberg

Company Description

One of the largest global floating, production, storage and offloading (FPSO) operators. It has engineering, construction, procurement, installation and commissioning (EPCIC) capabilities, and may record EPCIC income under finance lease (FL) method, as dictated by the International Financial Accounting Standards (IFRS). It also holds an associate stake in offshore support vessels (OSV). Lately its FPSO subsidiary Yinson Production (YP), begun adopting Enterprise Reporting (ER), as a complementary disclosure to the statutory IFRS reporting. Under ER, YP adopted operating lease method and applied proportional consolidation based on YP's share in assets.

Analysis

- **FY26 ER profit beat consensus.** Yinson Production's (YP) mandatory financial disclosure in end-Dec 25 revealed 3QFY26 ER profit of US\$169m (+280% yoy), which far exceeded consensus expectation and matched our guesstimate in our 3QFY26 results review. The key one-off item being the favourable gain on the loan buyout of FPSO Atlanta from Brava. The FPSO is the only one in Yinson Holdings' (YNS) fleet that employs Service Contract under IFRS 15 (ie neither operating lease nor FL recognition).
- **RM657m/US\$153m Brava gain accounting treatment.** Under IFRS/FL, about US\$80m represented satisfied EPCIC obligation recognised as revenue at a point in time. The remaining US\$73m represents charter obligations, which can only be recognised over time as deferred revenue throughout the 14.5 years tenure, for the party to be satisfied. Under ER format, the full US\$153m gain was treated like a one-off loan extinguishment income. We treat only the US\$80m (RM345m) gain as an exceptional item. The US\$73m "early project return" is consistent with the group's capital recycling strategy, and we took into consideration that YNS' future quarterly IFRS disclosures for FPSO Atlanta may be inflated by deferred revenues (at US\$1m/quarter), vs the case of future ER disclosures for FPSO Atlanta.

Valuation/Recommendation

- **Maintain BUY, SOTP-based target price adjusted to RM3.10 (from RM3.15)** This implies 12x FY26F PE, or 10x long-term PE once FPSO Agogo contributes to earnings fully by FY28. While we upgraded FPSO Agogo's earnings and valuation, this is offset by applying a 10% discount on the Brazil FPSOs (especially FPSO MQ or PDB) given the earnings performance on ER basis to date. We believe our new SOTP valuation fairly reflects YNS' superior execution as it transitions to an operational phase (from heavy-capex phase), but it is still not fully immune to country risks like Brazil (hence, execution remains paramount to safeguard debt repayment).

Earnings Revision/Risk

- **Adjusted FY26-28 earnings by +20%/-5%/-5%.** For FY26, we adjusted FPSO Agogo's charter contribution from two months to 5.5 months, reflecting its early startup. For all forecast years, the offsetting factors were higher finance costs and lower contribution from Brazil FPSOs. It appears the ongoing country risks in the O&G space is slowing the FPSO ramp-up, although we believe the FPSOs will eventually achieve normalisation. There is still a risk that near-term earnings may not sufficiently match the higher finance costs obligation due to project bonds. However, we believe that under YNS' execution, a scenario causing a material disruption to FPSO earnings that could impact debt covenants is unlikely.

Environmental, Social, Governance (ESG) Updates

Environmental

- **Advanced in carbon (CO2) reduction.** Outlined climate goals roadmap to reach carbon-neutral status by 2030 and net-zero carbon status
- **Advanced in non-O&G diversification.** Targets 3GW renewable energy (RE) pipeline by end-22, and 5-10GW operating portfolio by 2029
- **Safety (HSE).** Nil Lost Time Injury (LTI) Frequency in FY21 (FY20: 0.71)

Social

- Ranked top for active stakeholder engagements with bankers/clients/investors

Governance

- Most advanced in self-monitoring and reporting of its environmental contribution
- 50% of its board members are independent despite having family representation

YP's Debt Amortisation Schedule (US\$M)



Source: YNS

Other Highlights in YP's 3QFY26 Accounts

- **Depreciation.** Now includes both vessels, and carbon capture storage licence. We are pending guidance from management on the latter's depreciation.
- **A new subsidiary** was formed in end Oct 25, ie Yinson Engineering Management (Shanghai)
- **YP confirmed acquiring Very Large Crude Carrier Maran Antares** on 28 Oct 25. This was a net US\$80m increase in its asset
- **Orderbook of US\$19.8b as of ER basis** (vs US\$19.9b qoq). Orderbook on IFRS basis: US\$20.6b
- **FPSO Anna Nery (AN):** 3QFY26/ 9MFY26 IFRS profits were US\$14.2m/ US\$45.9m (+14%/-22% yoy) respectively. ER profits were US\$4.9m/ US\$17.5m (na/ -37% yoy) respectively. The overall decline is due to higher finance costs of US\$72m in 9MFY26, vs US\$46m, DSCR was 1.36-1.4x on average, vs 1.3x requirement
- **FPSO AN average production** was 41,000 bpd (-59% of capacity). There were one-off US\$2.6m EPCIC variation orders and inventory expense of US\$7m in the quarter.
- **FPSO Maria Quiteria (MQ):** 3QFY26/ 9MFY26 IFRS profits were US\$7.7m/ US\$16.2m (-8%/+32% yoy) respectively. On ER basis, they were losses of US\$1.6m/ US\$20.1m respectively. The overall decline is due to higher finance costs of US\$88m in 9MFY26, vs US\$3m
- **FPSO MQ average production** was 61,000 bpd (-61% of capacity). There was US\$3.2m one-off inventory expenses. Will start reporting DSCR from Jan 26. However, Petrobras put the FPSO on standby effective 10 Dec 25 for at least 50 days. During which, YP is entitled to 95% of charter payment.

Source: Teekay Tankers, Clarksons

SOTP Target Price

FY26F	Valuation	RM
FPSO Adoon	DCF (Blended IRR 12%)	0.07
FPSO JAK, firm only	DCF (IRR 14%, 74% stake)	0.71
FPSO Helang, firm	DCF, US\$280m capex + US\$50m residual value	0.70
FPSO Abigail-Joseph (AJ)	DCF (IRR 25%)	0.40
MOPU	11x PE	0.02
Lam Son	redeployment	0.07
FPSOs Anna Nery and PDB	DCF (IRR 17%, both assume 63-85% stake), apply 10% discount	2.49
FPSO Agogo	DCF (IRR 20%, 85% stake from 100%)	1.58
Atlanta, and new FPSOs	Include chance of more contract wins	1.25
(-) Minus net debt	Include all perpetuals	(4.19)
	RM3.4b shares include warrants conversion	3.10
SOTP (diluted)		
Implied FY27F PE	-	11.9x
Implied FY28F PE	-	10.3x

Source: UOB Kay Hian

Profit & Loss

Year to 31 Jan (RMm)	2025	2026F	2027F	2028F
Net turnover	7,605	3,450	4,602	5,109
EBITDA	2,052	2,791	3,714	3,853
Deprec. & amort.	377	380	382	419
EBIT	1,675	2,411	3,331	3,435
Total other non-operating income	-	0	0	0
Associate contributions	(21)	84	89	109
Net interest income/(expense)	(1,736)	(1,367)	(1,846)	(1,828)
Pre-tax profit	1,120	1,128	1,575	1,716
Tax	(167)	(168)	(251)	(290)
Minorities	(201)	(211)	(386)	(348)
Net profit	752	749	938	1,078

Balance Sheet

Year to 31 Jan (RMm)	2025	2026F	2027F	2028F
Fixed assets	4,421	8,831	9,708	10,548
Other LT assets	16,473	17,073	22,173	24,273
Cash/ST investment	2,679	1,959	2,573	696
Other current assets	899	408	544	604
Total assets	25,501	29,279	36,017	37,145
ST debt	1,247	1,818	2,416	2,914
Other current liabilities	1,425	1,224	4,374	4,747
LT debt	14,807	18,049	19,549	19,039
Other LT liabilities	523	163	193	193
Shareholders' equity	7,105	7,547	8,177	8,948
Minority interest	282	366	521	660

Cash Flow

Year to 31 Jan (RMm)	2025	2026F	2027F	2028F
Operating	(3016)	(2,253)	731	925
Pre-tax profit	1,120	1,128	1,575	1,716
Tax	(332)	(168)	(251)	(290)
Deprec. & amort.	377	380	382	419
Associates	21	(84)	(89)	(109)
Working capital changes	(5,116)	(3,509)	(886)	(810)
Other operating cashflows				
Investing	(486)	(782)	(500)	(500)
Capex (growth)	(560)	(782)	(500)	(500)
Investments	(41)	0	0	0
Others	115	0	0	0
Financing	3,336	2,315	383	(2,302)
Dividend payments	139	171	171	171
Issue of shares	920	0	0	0
Proceeds from borrowings	5,054	1,042	4,100	2,270
Loan repayment	(1,381)	0	4,500	0
Others/interest paid	(1,118)	1,444	155	139
Net cash inflow (outflow)	(166)	(720)	614	(1877)
Beginning cash & cash equivalent	3,063	2,679	1,959	2,573
Changes due to forex impact	(218)	0	0	0
Ending cash & cash equivalent	2,679	1,959	2,573	696

Key Metrics

Year to 31 Jan (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	27.0	80.9	80.7	75.4
Pre-tax margin	14.7	32.7	34.2	33.6
Net margin	9.9	21.7	20.4	21.1
ROA	3.7	3.4	3.7	4.1
ROE	13.2	12.7	15.1	16.3
Growth				
Turnover	110.8	(4.4)	27.6	41.6
EBITDA	101.0	173.4	263.7	277.4
Pre-tax profit	56.4	57.5	119.9	139.6
Net profit	87.5	86.8	133.8	168.8
Net profit (adj.)	26.6	85.8	132.7	167.5
EPS	26.6	85.8	132.7	167.5
Leverage				
Debt to total capital	217.3	251.1	252.5	228.5
Debt to equity	226.0	263.3	268.6	245.3
Net debt/(cash) to equity	188.2	237.3	237.1	237.6
Interest cover (x)	1.2	2.0	2.0	2.1

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